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GOVERNOR

STATE OF MICHIGAN
OFFICE OF FINANCIAL AND INSURANCE SERVICES
DEPARTMENT OF LABOR & ECONOMIC GROWTH
ROBERT W. SWANSON, DIRECTOR

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COMMISSIONER

BILL ANALYSIS

BILL NUMBER: HB 6238 (as introduced)
TOPIC: Insurance Fraud Penalties
SPONSOR: Representative Roger Kahn
COMMITTEE: House Insurance
Analysis Done: June 23, 2006

POSITION

The Office of Financial and Insurance Services supports this legislation.

PROBLEM/BACKGROUND

Many of the penalty provisions currently in the Insurance Code of 1956 (Code), 1956 PA 218, MCL 500.100 et seq., have been in place for many years and, in today's dollars, do not provide much of a deterrent. The ability to truly punish those who violate the Code is diminished if the fines being assessed are ineffective. If the fine is low enough, unscrupulous persons could consider the imposition of those fines as a cost of doing business, rather than as punishment.

This legislation is intended to give more teeth to the Code when fraudulent activity under the Code has occurred.

DESCRIPTION OF BILL

The bill amends section 4511 of the Code to increase the fines and penalties from four years of imprisonment to eight years and from \$50,000.00 to \$100,000.00 for a person who commits a fraudulent insurance act as prohibited in section 4503. The bill also increases from ten years imprisonment to 20 years and a \$50,000.00 fine to a \$100,000.00 fine for a person who enters into an agreement or conspiracy to commit a fraudulent insurance act as prohibited in section 4503.

SUMMARY OF ARGUMENTS

Pro

The penalties found in the Insurance Code have not been adjusted for a number of years, making many of the fines and penalties insignificant and possibly even considered incidental to the cost of doing business in today's world. Increasing these penalties will hopefully provide more of a deterrent and, if necessary to impose, be a more relevant punishment for violations that have been committed.

Con

None known.

FISCAL/ECONOMIC IMPACT

OFIS has identified the following revenue or budgetary implications in the bill as follows:

(a) To the Office of Financial and Insurance Services: None

Budgetary:
Revenue:
Comments:

(b) To the Department of Labor and Economic Growth: None known.

Budgetary:
Revenue:
Comments:

(c) To the State of Michigan: None known.

Budgetary:
Revenue:
Comments:

(d) To Local Governments within this State: None known.

Comments:

OTHER STATE DEPARTMENTS

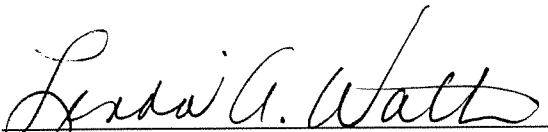
The state Attorney General's Office may have an interest in the penalties.

ANY OTHER PERTINENT INFORMATION

None known.

ADMINISTRATIVE RULES IMPACT

OFIS does have general rulemaking authority under the Insurance Code of 1956, 1956 PA 218.

A handwritten signature in cursive script, reading "Linda A. Watters", written over a horizontal line.

Linda A. Watters
Commissioner

6-27-06
Date